

**BEFORE**

**THE PUBLIC SERVICE COMMISSION OF**

**SOUTH CAROLINA**

**DOCKET NO. 2018-4-G**

IN RE:

Annual Review of Purchased Gas	)	<b>PROPOSED ORDER</b>
Adjustment and Gas Purchasing	)	<b>RULING ON PURCHASED</b>
Policies of Piedmont Natural Gas	)	<b>GAS ADJUSTMENT AND GAS</b>
Company, Inc.	)	<b>PURCHASING POLICIES</b>

The above-captioned matter is before the Public Service Commission of South Carolina (“Commission”) concerning its annual review<sup>1</sup> of the Purchased Gas Adjustment (“PGA”) and gas purchasing policies of Piedmont Natural Gas Company, Inc. (“PNG”). The South Carolina Office of Regulatory Staff (“ORS”) is a party of record in this proceeding under the provisions of S.C. Code Ann. § 58-4-10(B) (Supp. 2016). PNG and ORS (collectively the “Parties” or individually a “Party”) entered into a settlement agreement (“Settlement Agreement”) which was filed with the Commission on June 29, 2018.

The Commission conducted a formal hearing in this matter on July 12, 2018, beginning at 10:30 a.m. in the hearing room of the Commission with the Honorable Comer H. Randall, Chairman, presiding. C. Lessie Hammonds, Esquire and Jeffrey M. Nelson, Esquire appeared on behalf of ORS. Melinda L. McGrath, Esquire, James H. Jeffries IV, Esquire and Jeremy C. Hodges, Esquire appeared on behalf of PNG.

At the hearing, and upon the motion of the Parties, the Commission accepted into the record the pre-filed direct testimony of PNG witness Sarah E. Stabley, the pre-filed direct testimony and

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<sup>1</sup> See Commission Order No. 88-294 dated April 6, 1988 (annual review).

exhibits of PNG witness Gennifer Raney, the pre-filed direct testimony and exhibits of PNG witness MaryBeth Tomlinson as well as the settlement testimony of PNG witness MaryBeth Tomlinson. The pre-filed direct testimony and exhibits of ORS witness Zachary J. Payne and the pre-filed direct testimony of ORS witness Matthew P. Schellinger,II were also accepted into the record.

The Commission accepted into evidence the Settlement Agreement as Hearing Exhibit No.

1. ORS witness Payne’s exhibits (ZJP 1-3) were admitted into evidence as Hearing Exhibit No.
2. PNG witness Tomlinson’s exhibits (MBT 1-2) were admitted into evidence as Hearing Exhibit No.
3. PNG witness Raney’s exhibits (GJR 1-6) were admitted into evidence as Hearing Exhibit No.
- 4.

At the hearing, PNG witness Stabley testified as to PNG’s gas purchasing policies and the components of the “best cost” gas purchasing policy. Ms. Stabley stated that PNG did not implement any changes in its “best cost” gas purchasing policies or practices during April 1, 2017 through March 31, 2018 (the “Review Period”). Ms. Stabley also testified that PNG has taken numerous measures to manage its gas costs consistent with its “best cost policy” including active participation at the Federal Energy Regulatory Commission (“FERC”), restructuring of supply and capacity contracts to adjust to market conditions, and the promotion of more efficient use of its system and of its capacity and commodity rights. Ms. Stabley added that the “best cost” purchasing policy utilized by PNG has been reviewed and found prudent on all occasions in South Carolina and the other state jurisdictions in which PNG operates.

PNG witness Raney testified that PNG serves approximately 145,139 customers in South Carolina and that during the Review Period, PNG delivered approximately 28,030,167 dekatherms (“dts”) of natural gas to its South Carolina customers. Ms. Raney also explained the calculation

of PNG customer growth and design day needs and the process utilized by PNG to acquire new capacity. According to PNG, it calculates the design day needs of its system based on a number of factors and inputs, including historical weather, historical operating experience, forecasted customer additions, and projected demand. PNG states that it then calculates a reserve margin to ensure its ability to provide safe and reliable service to its firm customer base during design-day conditions.

PNG witness Tomlinson testified to the end-of-period balances in and the accounting for PNG's deferred gas cost account. That accounting is set out in Hearing Exhibit No. 3 (Exhibit\_MBT-1 attached to the pre-filed testimony of MaryBeth Tomlinson). PNG maintains an account reflecting its gas costs each month, the amount of gas costs recovered each month, and amounts deferred each month. PNG also maintains a hedging account, which records the results of its hedging activities undertaken in accordance with its hedging plan.

In her settlement testimony, PNG witness Tomlinson testified that, following extensive review, examination and discussions between PNG and the ORS, both parties agreed to each of the matters stipulated in the Settlement Agreement. The Settlement Agreement is offered by all parties as a fair, reasonable and full resolution of all issues in this proceeding as signified by all parties being signatories to the Settlement Agreement.

ORS witness Payne testified that ORS had performed an examination of PNG's purchased gas deferred account, gas storage inventory accounts, and hedging program deferred account for the Review Period. Based upon that examination it is the opinion of ORS that the over collection balance in the purchased gas deferred account at March 31, 2018 of \$298,268, shown on Piedmont witness Tomlinson's Exhibit MBT-1 is accurately stated.

ORS witness Schellinger testified that PNG had adequate firm supplies to meet its firm customer requirements; is continuing its attempts to get the best terms available in its negotiations with suppliers; has used the spot market to purchase supplies for periods of one month or less; and managed its hedging activities in a manner consistent with the terms of its approved hedging program during the Review Period.

The Settlement Agreement reflected the Parties' agreement that: (i) PNG's gas purchasing policies and practices during the Review Period were reasonable and prudent; (ii) PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period; (iii) PNG managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders; (iv) the end-of-period balances for PNG's hedging accounts are those reflected in the testimony of Piedmont witness Tomlinson; and (v) the end-of-period balances for PNG's purchased gas deferred accounts are those reflected in the pre-filed direct testimony of PNG witness Tomlinson.

NOW, THEREFORE, based upon the foregoing, IT IS HEREBY DECLARED AND ORDERED THAT:

1. The pre-filed direct testimony of PNG witness Sarah E. Stabley, the pre-filed direct testimony and exhibits of PNG witness Gennifer Raney, and the pre-filed direct testimony, exhibits, and settlement testimony of PNG witness MaryBeth Tomlinson are accepted into the record without objection.

2. The pre-filed direct testimony and exhibits of ORS witness Zachary J. Payne and the pre-filed direct testimony of Matthew P. Schellinger, II are accepted into the record without objection.

3. The Settlement Agreement is accepted into the record and incorporated into and made part of this Order by reference and, based upon the testimony and exhibits presented at the hearing of this matter, is found to be in the public interest and constitutes a reasonable resolution of the issues in this proceeding.

4. PNG's gas purchasing policies and practices during the Review Period were reasonable and prudent.

5. PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period.

6. PNG managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders.

7. The end-of-period balances for PNG's hedging accounts are those reflected in the testimony of Company witness Tomlinson.

8. The end-of-period balances for PNG's deferred gas cost accounts are those reflected in the testimony of witness Tomlinson.

9. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

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Comer H. Randall, Chairman

ATTEST:

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Elliott F. Elam, Vice-Chairman